



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002
of the Condition and Affairs of the

Blue Care Network of Michigan

NAIC Group Code..... 0572, (Current Period) (Prior Period)	0572	NAIC Company Code..... 95610	Employer's ID Number..... 38-2359234
Organized under the Laws of	Michigan	State of Domicile or Port of Entry	Michigan
Licensed as Business Type	Health Maintenance Organization	Country of Domicile	US
Is HMO Federally Qualified?	Yes [X] No []		
Date Incorporated or Organized.....	May 6, 1981	Date Commenced Business.....	May 13, 1981
Statutory Home Office	25925 Telegraph Southfield MI 48086 (Street and Number) (City or Town, State and Zip Code)		
Address of Main Administrative Office	25925 Telegraph Southfield MI 48086 (Street and Number) (City or Town, State and Zip Code)	248-354-7450 (Area Code) (Telephone Number)	
Mail Address	25925 Telegraph MC BF355 Southfield MI 48086 (Street and Number or P. O. Box) (City or Town, State and Zip Code)		
Primary Location of Books and Records	25925 Telegraph Southfield MI 48086 (Street and Number) (City or Town, State and Zip Code)	248-593-3929 (Area Code) (Telephone Number)	
Internet Website Address	www.bcbsm.com/bcn		
Statement Contact	Penny Wall (Name) pwall@bcbsm.com (E-Mail Address)	248-593-3929 (Area Code) (Telephone Number) (Extension) 248-593-3961 (Fax Number)	
Policyowner Relations Contact	25925 Telegraph Southfield MI 48086 (Street and Number) (City or Town, State and Zip Code)	800-662-6667 (Area Code) (Telephone Number) (Extension)	

OFFICERS

President & CEO Kevin Seitz	Treasurer &CFO Susan A. Kluge	Chief Operating Officer .....Jeanne Carlson
Chief Actuarial Officer David R. Nelson	Chief Medical Officer Douglas R. Woll, MD	Secretary Julie Swantek

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

George Andros	Charles Burkett	Frank Garrison	Gloria Klinge
Mark R. Bartlett	Diana L. Watson	Julie Angott	Valeria Ann Holmon
Anne Mare Ice, MD	D. Bonta Hiscoe MD	Carmone Owens	Gregory A. Sudderth
Roy Westran	Richard E. Whitmer	Kevin Seitz	

State of..... Michigan
County of..... Oakland

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Kevin Seitz	Julie Swantek	Susan A. Kluge
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

.....day of, 2003
.....

a. Is this an original filing? Yes [X] No []
b. If no: 1. State the amendment number
2. Date filed.....
3. Number of pages attached.....

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1. Bonds.....	3,136,198		3,136,198	13,525,289
2. Stocks:				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	770,974		770,974	438,032
3. Mortgage loans on real estate:				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....4,720,455 encumbrances).....	903,727		(a).....903,727	1,112,615
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....(6,825,081), Schedule E, Part 1) and short-term investments (\$.....337,946,748, Schedule DA, Part 2).....	331,121,667		331,121,667	325,831,421
6. Other long-term invested assets.....	47,813,064		47,813,064	45,144,745
7. Receivable for securities.....			0	
8. Aggregate write-ins for invested assets.....	16,401,788	0	16,401,788	12,373,338
9. Subtotal cash and invested assets (Lines 1 to 8).....	400,147,418	0	400,147,418	398,425,440
10. Accident and health premiums due and unpaid.....	2,811,207		2,811,207	7,065,947
11. Health care receivables.....	5,052,659	381,225	4,671,434	3,120,337
12. Amounts recoverable from reinsurers.....			0	
13. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
14. Investment income due and accrued.....	4,688,778		4,688,778	5,920,632
15. Amounts due from parent, subsidiaries and affiliates.....	12,856,337	197,585	12,658,752	29,504,512
16. Amounts receivable relating to uninsured accident and health plans.....			0	
17. Furniture and equipment.....	1,431,265		1,431,265	1,730,312
18. Amounts due from agents.....			0	
19. Federal and foreign income tax recoverable and interest thereon (including \$.....0 net deferred tax asset).....			0	
20. Electronic data processing equipment and software.....	2,199,915	1,583,112	616,803	2,849,840
21. Other nonadmitted assets.....			0	
22. Aggregate write-ins for other than invested assets.....	3,407,163	2,146,926	1,260,237	2,368,845
23. Total assets (Lines 9 plus 10 through 22).....	432,594,742	4,308,848	428,285,894	450,985,865

DETAILS OF WRITE-INS

0801. Security Lending Collateral.....	16,401,788		16,401,788	12,373,338
0802.			0	
0803.			0	
0898. Summary of remaining write-ins for Line 8 from overflow page.....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above).....	16,401,788	0	16,401,788	12,373,338
2201. Contractual Settlements Receivable.....			0	892,588
2202. Inventories.....	1,030,080		1,030,080	1,172,161
2203. Prepaid Pension.....	2,093,525	2,093,525	0	
2298. Summary of remaining write-ins for Line 22 from overflow page.....	283,558	53,401	230,157	304,096
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above).....	3,407,163	2,146,926	1,260,237	2,368,845

(a) \$.....507,705 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	192,416,590		192,416,590	223,967,554
2. Accrued medical incentive pool and bonus payments.....	30,880,314		30,880,314	33,021,954
3. Unpaid claims adjustment expenses.....	1,843,008		1,843,008	1,854,578
4. Aggregate policy reserves.....	1,145,698		1,145,698	
5. Aggregate claim reserves.....			0	
6. Premiums received in advance.....	27,116,354		27,116,354	24,681,705
7. General expenses due or accrued.....	16,320,997		16,320,997	9,114,785
8. Federal and foreign income tax payable and interest thereon (including \$.....0 (on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....			0	
9. Amounts withheld or retained by company for the account of others.....	3,017,854		3,017,854	4,021,334
10. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
11. Amounts due to parent, subsidiaries and affiliates.....	7,960,051		7,960,051	13,186,243
12. Payable for securities.....			0	
13. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
14. Reinsurance in unauthorized companies.....			0	
15. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
16. Liability for amounts held under uninsured accident and health plans.....			0	
17. Aggregate write-ins for other liabilities (including \$.....22,611,876 current).....	60,898,846	0	60,898,846	66,663,439
18. Total liabilities (Lines 1 to 17).....	341,599,712	0	341,599,712	376,511,592
19. Common capital stock.....	XXX	XXX	50,000	50,000
20. Preferred capital stock.....	XXX	XXX		
21. Gross paid in and contributed surplus.....	XXX	XXX	15,603,045	15,603,045
22. Surplus notes.....	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	47,813,064	45,144,745
24. Unassigned funds (surplus).....	XXX	XXX	23,220,073	13,676,482
25. Less treasury stock, at cost:				
25.1 .....0.000 shares common (value included in Line 19 \$.....0).....	XXX	XXX		
25.2 .....0.000 shares preferred (value included in Line 20 \$.....0).....	XXX	XXX		
26. Total capital and surplus (Lines 19 to 24 less Line 25).....	XXX	XXX	86,686,182	74,474,273
27. Total liabilities, capital and surplus (Lines 18 and 26).....	XXX	XXX	428,285,894	450,985,865

DETAILS OF WRITE-INS

1701. Accrued Post Retirement Benefits.....	38,178,430		38,178,430	33,340,065
1702. Minimum Pension Liability.....	108,540		108,540	8,301,206
1703. Securtiy Lending Collateral.....	16,401,788		16,401,788	12,373,338
1798. Summary of remaining write-ins for Line 17 from overflow page.....	6,210,088	0	6,210,088	12,648,830
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above).....	60,898,846	0	60,898,846	66,663,439
2301. Equity In Affiliates.....	XXX	XXX	47,813,064	45,144,745
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	47,813,064	45,144,745

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	6,280,413	7,020,584
2. Net premium income.....	XXX.....	1,291,669,911	1,358,762,915
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	(1,145,698)	
4. Fee-for-service (net of \$.....16,336,677 medical expenses).....	XXX.....	(5,032,019)	(3,842,359)
5. Risk revenue.....	XXX.....		
6. Aggregate write-ins for other health care related revenues.....	XXX.....	265,525	2,001,322
7. Total revenues (Lines 2 to 6).....	XXX.....	1,285,757,719	1,356,921,878
Medical and Hospital:			
8. Hospital/medical benefits.....		704,708,837	766,788,181
9. Other professional services.....		47,874,162	64,851,467
10. Outside referrals.....		54,188,229	61,905,781
11. Emergency room and out-of-area.....		63,184,945	58,707,264
12. Prescription drugs.....		216,624,519	226,228,346
13. Aggregate write-ins for other medical and hospital.....	0	45,006,092	45,508,704
14. Incentive pool and withhold adjustments.....		18,638,956	28,781,284
15. Subtotal (Lines 8 to 14).....	0	1,150,225,740	1,252,771,027
Less:			
16. Net reinsurance recoveries.....			(3,166,651)
17. Total medical and hospital (Lines 15 minus 16).....	0	1,150,225,740	1,255,937,678
18. Claims adjustment expenses.....		12,618,879	12,441,135
19. General administrative expenses.....		118,951,315	111,543,513
20. Increase in reserves for accident and health contracts.....			
21. Total underwriting deductions (Lines 17 through 20).....	0	1,281,795,933	1,379,922,327
22. Total underwriting gain or (loss) (Lines 7 minus 21).....	XXX.....	3,961,786	(23,000,449)
23. Net investment income earned.....		7,850,193	17,488,994
24. Net realized capital gains or (losses).....		(1,302,544)	(229,377)
25. Net investment gains or (losses) (Lines 23 plus 24).....	0	6,547,649	17,259,617
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
27. Aggregate write-ins for other income or expenses.....	0	0	0
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27).....	0	10,509,435	(5,740,832)
29. Federal and foreign income taxes incurred.....	XXX.....		
30. Net income (loss) (Lines 28 minus 29).....	XXX.....	10,509,435	(5,740,832)

DETAILS OF WRITE-INS			
0601. Management Revenue.....	XXX.....		1,634,700
0602. Pharmacy Revenue.....	XXX.....	42,923	48,519
0603. Miscellaneous Revenue.....	XXX.....	222,602	318,103
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	265,525	2,001,322
1301. Other Medical Expense.....		39,717,930	41,484,477
1302. Occupancy, Depreciation and Amortization.....		2,625,653	2,650,750
1303. Net Stoploss Expense.....		2,662,509	
1398. Summary of remaining write-ins for Line 13 from overflow page.....	0	0	1,373,477
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above).....	0	45,006,092	45,508,704
2701.			
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year.....	.....74,474,273	.....71,603,370
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30.....	.....10,509,435	.....(5,740,832)
33. Change in valuation basis of aggregate policy and claim reserves.....	.....	.....
34. Net unrealized capital gains and losses.....	.....	.....
35. Change in net unrealized foreign exchange capital gain or (loss).....	.....	.....
36. Change in net deferred income tax.....	.....	.....
37. Change in nonadmitted assets.....	.....(965,844)	.....3,568,056
38. Change in unauthorized reinsurance.....	.....	.....
39. Change in treasury stock.....	.....	.....
40. Change in surplus notes.....	.....	.....
41. Cumulative effect of changes in accounting principles.....	.....	.....2,190,810
42. Capital Changes:		
42.1 Paid in.....	.....	.....
42.2 Transferred from surplus (stock dividend).....	.....	.....
42.3 Transferred to surplus.....	.....	.....
43. Surplus adjustments:		
43.1 Paid in.....	.....	.....
43.2 Transferred to capital (stock dividend).....	.....	.....
43.3 Transferred from capital.....	.....	.....
44. Dividends to stockholders.....	.....	.....
45. Aggregate write-ins for gains or (losses) in surplus.....	.....2,668,318	.....2,852,869
46. Net change in capital and surplus (Lines 32 to 45).....	.....12,211,909	.....2,870,903
47. Capital and surplus end of reporting year (Line 31 plus 46).....	.....86,686,182	.....74,474,273

DETAILS OF WRITE-INS		
4501. Change in Equity in Affiliates.....	.....2,668,318	.....2,852,869
4502. ....	.....	.....
4503. ....	.....	.....
4598. Summary of remaining write-ins for Line 45 from overflow page.....	.....0	.....0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above).....	.....2,668,318	.....2,852,869

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance.....	1,293,327,281	1,370,490,491
2. Claims and claims adjustment expenses.....	1,196,548,792	1,243,884,400
3. General administrative expenses paid.....	111,745,103	110,696,528
4. Other underwriting income (expenses).....	265,525	2,001,322
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....	(14,701,089)	17,910,884
6. Net Investment income.....	9,482,640	15,835,818
7. Other income (expenses).....	(4,352,076)	8,698,024
8. Federal and foreign income taxes (paid) recovered.....		
9. Net cash from operations (Lines 5 to 8).....	(9,570,525)	42,444,726
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds.....	23,468,407	92,731,908
10.2 Stocks.....	457,039	127,580
10.3 Mortgage loans.....		
10.4 Real estate.....		
10.5 Other invested assets.....		1,350,000
10.6 Net gains or (losses) on cash and short-term investments.....	3,186	(304,063)
10.7 Miscellaneous proceeds.....		16,476,990
10.8 Total investment proceeds (Lines 10.1 to 10.7).....	23,928,632	110,382,415
11. Cost of investments acquired (long-term only):		
11.1 Bonds.....	14,385,047	31,610,336
11.2 Stocks.....	789,981	183,141
11.3 Mortgage loans.....		
11.4 Real estate.....	191,705	609,291
11.5 Other invested assets.....		
11.6 Miscellaneous applications.....	4,028,450	
11.7 Total investments acquired (Lines 11.1 to 11.6).....	19,395,183	32,402,768
12. Net cash from investments (Line 10.8 minus Line 11.7).....	4,533,449	77,979,647
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in.....	(0)	0
13.2 Net transfers from affiliates.....	16,845,760	6,408,702
13.3 Borrowed funds received.....		
13.4 Other cash provided.....	2,532,084	4,307,204
13.5 Total (Lines 13.1 to 13.4).....	19,377,844	10,715,906
14. Cash applied:		
14.1 Dividends to stockholders paid.....		
14.2 Net transfers to affiliates.....	5,226,192	33,265,224
14.3 Borrowed funds repaid.....		
14.4 Other applications.....	3,824,329	1,598,257
14.5 Total (Lines 14.1 to 14.4).....	9,050,521	34,863,481
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5).....	10,327,323	(24,147,575)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15).....	5,290,246	96,276,799
17. Cash and short-term investments:		
17.1 Beginning of year.....	325,831,421	229,554,622
17.2 End of year (Line 16 plus Line 17.1).....	331,121,667	325,831,421

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plans	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Net premium income.....	..1,291,669,911	.1,181,861,848	.....	.....63,326,385	.....	.....	.....46,481,677	.....	.....	.....	.....	.....	.....
2. Change in unearned premium reserves and reserve for rate credit.....	.....(1,145,698)	.....(1,145,698)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3. Fee-for-service (net of \$.....16,336,677 medical expenses).....	.....(5,032,019)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....(5,032,019)
4. Risk revenue.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5. Aggregate write-ins for other health care related revenues.....	.....265,525	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....265,525
6. Total revenues (Lines 1 to 5).....	..1,285,757,719	.1,180,716,150	.....0	.....63,326,385	.....0	.....0	.....46,481,677	.....0	.....0	.....0	.....0	.....0	.....(4,766,494)
7. Medical/hospital benefits.....	.....704,708,837	.....653,505,771	.....	.....22,694,748	.....	.....	.....28,508,318	.....	.....	.....	.....	.....	.....
8. Other professional services.....	.....47,874,162	.....43,173,085	.....	.....2,817,709	.....	.....	.....1,883,368	.....	.....	.....	.....	.....	.....
9. Outside referrals.....	.....54,188,229	.....49,004,155	.....	.....3,046,333	.....	.....	.....2,137,741	.....	.....	.....	.....	.....	.....
10. Emergency room and out-of-area.....	.....63,184,945	.....57,991,932	.....	.....2,663,192	.....	.....	.....2,529,821	.....	.....	.....	.....	.....	.....
11. Prescription drugs.....	.....216,624,519	.....180,323,570	.....	.....28,434,574	.....	.....	.....7,866,375	.....	.....	.....	.....	.....	.....
12. Aggregate write-ins for other medical and hospital.....	.....45,006,092	.....37,623,431	.....0	.....5,652,947	.....0	.....0	.....1,676,103	.....0	.....0	.....0	.....0	.....0	.....53,612
13. Incentive pool and withhold adjustments.....	.....18,638,956	.....17,859,844	.....	.....	.....	.....	.....779,112	.....	.....	.....	.....	.....	.....
14. Subtotal (Lines 7 to 13).....	..1,150,225,740	.1,039,481,787	.....0	.....65,309,503	.....0	.....0	.....45,380,838	.....0	.....0	.....0	.....0	.....0	.....53,612
15. Net reinsurance recoveries.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
16. Total medical and hospital (Lines 14 minus 15).....	..1,150,225,740	.1,039,481,787	.....0	.....65,309,503	.....0	.....0	.....45,380,838	.....0	.....0	.....0	.....0	.....0	.....53,612
17. Claims adjustment expenses.....	.....12,618,879	.....11,432,896	.....	.....682,562	.....	.....	.....503,421	.....	.....	.....	.....	.....	.....
18. General administrative expenses.....	.....118,951,315	.....111,997,847	.....	.....2,905,932	.....	.....	.....2,990,579	.....	.....	.....	.....	.....	.....1,056,957
19. Increase in reserves for accident and health contracts.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
20. Total underwriting deductions (Lines 16 to 19).....	..1,281,795,933	.1,162,912,529	.....0	.....68,897,997	.....0	.....0	.....48,874,838	.....0	.....0	.....0	.....0	.....0	.....1,110,569
21. Net underwriting gain or (loss) (Line 6 minus Line 20).....	.....3,961,786	.....17,803,621	.....0	.....(5,571,612)	.....0	.....0	.....(2,393,161)	.....0	.....0	.....0	.....0	.....0	.....(5,877,063)

DETAILS OF WRITE-INS

0501. Management Revenue.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
0502. Pharmacy Revenue.....	.....42,923	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....42,923
0503. Miscellaneous Revenue.....	.....222,602	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....222,602
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.....265,525	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....265,525
1201. Other Medical.....	.....39,717,930	.....33,069,347	.....	.....5,123,089	.....	.....	.....1,471,881	.....	.....	.....	.....	.....	.....53,612
1202. Occupancy and Depreciation.....	.....2,625,653	.....2,102,822	.....	.....425,543	.....	.....	.....97,289	.....	.....	.....	.....	.....	.....
1203. Net Stoploss expense.....	.....2,662,509	.....2,451,261	.....	.....104,315	.....	.....	.....106,933	.....	.....	.....	.....	.....	.....
1298. Summary of remaining write-ins for Line 12 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
1299. Total (Lines 1201 thru 1203 plus 1298) (Line 12 above).....	.....45,006,092	.....37,623,431	.....0	.....5,652,947	.....0	.....0	.....1,676,103	.....0	.....0	.....0	.....0	.....0	.....53,612

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (medical and hospital).....	1,181,861,848			1,181,861,848
2.	Medicare supplement.....	63,326,385			63,326,385
3.	Dental only.....				0
4.	Vision only.....				0
5.	Federal employees health benefits plan premiums.....	46,481,677			46,481,677
6.	Title XVIII - Medicare.....				0
7.	Title XIX - Medicaid.....				0
8.	Other.....				0
9.	Totals.....	1,291,669,911	0	0	1,291,669,911

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct.....	1,163,137,748	1,029,243,649	62,770,599			45,866,903	25,147,401	55,584	53,612
1.2 Reinsurance assumed.....	0								
1.3 Reinsurance ceded.....	0								
1.4 Net.....	1,163,137,748	1,029,243,649	62,770,599	0	0	45,866,903	25,147,401	55,584	53,612
2. Paid medical incentive pools and bonuses.....	20,780,596	19,886,640	30,728			716,273	146,956		
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct.....	192,416,590	177,178,775	7,646,237			7,120,167	377,803	93,608	
3.2 Reinsurance assumed.....	0								
3.3 Reinsurance ceded.....	0								
3.4 Net.....	192,416,590	177,178,775	7,646,237	0	0	7,120,167	377,803	93,608	0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct.....	0								
4.2 Reinsurance assumed.....	0								
4.3 Reinsurance ceded.....	0								
4.4 Net.....	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	30,880,314	29,589,511				1,290,803			
6. Amounts recoverable from reinsurers December 31, current year.....	0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct.....	223,967,554	184,800,479	5,107,333			8,385,346	25,525,204	149,192	
7.2 Reinsurance assumed.....	0								
7.3 Reinsurance ceded.....	0								
7.4 Net.....	223,967,554	184,800,479	5,107,333	0	0	8,385,346	25,525,204	149,192	0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct.....	0								
8.2 Reinsurance assumed.....	0								
8.3 Reinsurance ceded.....	0								
8.4 Net.....	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year.....	33,021,954	31,616,306	30,728			1,227,964	146,956		
10. Amounts recoverable from reinsurers December 31, prior year.....	0								
11. Incurred benefits:									
11.1 Direct.....	1,131,586,784	1,021,621,945	65,309,503	0	0	44,601,724	0	0	53,612
11.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0
11.4 Net.....	1,131,586,784	1,021,621,945	65,309,503	0	0	44,601,724	0	0	53,612
12. Incurred medical incentive pools and bonuses.....	18,638,956	17,859,844	0	0	0	779,112	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in process of adjustment:									
1.1 Direct.....	30,087,750	27,307,344	1,215,419			1,093,576	377,803	93,608	
1.2 Reinsurance assumed.....	0								
1.3 Reinsurance ceded.....	0								
1.4 Net.....	30,087,750	27,307,344	1,215,419	0	0	1,093,576	377,803	93,608	0
2. Incurred but unreported:									
2.1 Direct.....	148,387,461	136,403,448	6,430,818			5,553,195			
2.2 Reinsurance assumed.....	0								
2.3 Reinsurance ceded.....	0								
2.4 Net.....	148,387,461	136,403,448	6,430,818	0	0	5,553,195	0	0	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct.....	13,941,379	13,467,983				473,396			
3.2 Reinsurance assumed.....	0								
3.3 Reinsurance ceded.....	0								
3.4 Net.....	13,941,379	13,467,983	0	0	0	473,396	0	0	0
4. Totals:									
4.1 Direct.....	192,416,590	177,178,775	7,646,237	0	0	7,120,167	377,803	93,608	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0
4.4 Net.....	192,416,590	177,178,775	7,646,237	0	0	7,120,167	377,803	93,608	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital).....	.....149,036,665	.....880,206,984	.....31,333,601	.....145,845,173	.....180,370,266	.....184,800,479
2. Medicare supplement.....	.....6,228,251	.....56,542,348	.....331,020	.....7,315,217	.....6,559,271	.....5,107,333
3. Dental only.....	.....	.....	.....	.....	.....0	.....
4. Vision only.....	.....	.....	.....	.....	.....0	.....
5. Federal employees health benefits plan premiums.....	.....8,236,795	.....37,630,108	.....1,256,500	.....5,863,668	.....9,493,295	.....8,385,346
6. Title XVIII - Medicare.....	.....25,147,401	.....	.....377,803	.....	.....25,525,204	.....25,525,204
7. Title XIX - Medicaid.....	.....55,584	.....	.....93,608	.....	.....149,192	.....149,192
8. Other.....	.....	.....53,612	.....	.....	.....0	.....
9. Subtotal.....	.....188,704,696	.....974,433,052	.....33,392,532	.....159,024,058	.....222,097,228	.....223,967,554
10. Medical incentive pools, accruals and disbursements.....	.....20,780,596	.....	.....7,899,086	.....22,981,228	.....28,679,682	.....33,021,954
11. Totals .....	.....209,485,292	.....974,433,052	.....41,291,618	.....182,005,286	.....250,776,910	.....256,989,508

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS
(000 Omitted)

SECTION A - PAID CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....					
2. 1998.....	3,062				
3. 1999.....	.XXX	1,152	261		
4. 2000.....	.XXX	XXX			
5. 2001.....	.XXX	XXX	.XXX		
6. 2002.....	.XXX	XXX	.XXX	XXX	

SECTION B - INCURRED CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....					
2. 1998.....	3,062				
3. 1999.....	.XXX	1,413	261		
4. 2000.....	.XXX	XXX			
5. 2001.....	.XXX	XXX	.XXX		
6. 2002.....	.XXX	XXX	.XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998.....	.XXX			.XXX	0	.XXX			0	.XXX
2. 1998.....	3,476	3,062		0.0	3,062	88.1			3,062	88.1
3. 1999.....	1,594	1,413		0.0	1,413	88.6			1,413	88.6
4. 2000.....				0.0	0	0.0			0	0.0
5. 2001.....				0.0	0	0.0			0	0.0
6. 2002.....				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6).....	.XXX	4,475	0	.XXX	4,475	.XXX	0	0	4,475	.XXX
8. Total (Lines 2 through 6).....	5,070	XXX	XXX	.XXX	.XXX	.XXX	XXX	XXX	.XXX	.XXX

Blue Care Network of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1999	3 2000	4 2001	5 2002
1. Prior.....					
2. 1998.....					
3. 1999.....	XXX				
4. 2000.....	XXX	XXX			
5. 2001.....	XXX	XXX	XXX		
6. 2002.....	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	<div style="font-size: 48pt; text-align: center;">NONE</div>				
2. 1998.....					
3. 1999.....		XXX			
4. 2000.....		XXX	XXX		
5. 2001.....		XXX	XXX	XXX	
6. 2002.....		XXX	XXX	XXX	XXX

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY[illegible]

12.VO

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	10,105	136	4	3	
2. 1998.....	57,263	16,380	418	204	114
3. 1999.....	XXX	77,666	20,237	492	381
4. 2000.....	XXX	XXX	103,923	22,981	1,408
5. 2001.....	XXX	XXX	XXX	118,619	23,244
6. 2002.....	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - TITLE XVIII - MEDICARE

	Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....		10,665	258	13	3	
2. 1998.....		73,765	17,125	533	204	114
3. 1999.....		XXX	94,304	21,002	617	384
4. 2000.....		XXX	XXX	132,795	29,086	1,467
5. 2001.....		XXX	XXX	XXX	137,915	23,560
6. 2002.....		XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

[illegible]

12.XV

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves.....	1,145,698	1,145,698							
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.0) for investment income.....	.0								
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	1,145,698	1,145,698	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	1,145,698	1,145,698	.0	.0	.0	.0	.0	.0	.0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	.0								
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 5).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
DETAILS OF WRITE-INS									
0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0595) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 11911) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$.0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1	2	3	4
	Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$.....2,393,558 for occupancy of own building).....	.....623,188	.....3,282,514	.....	.....3,905,702
2. Salaries, wages and other benefits.....	.....10,176,718	.....68,472,719	.....201,781	.....78,851,218
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....	.....	.....25,118,724	.....	.....25,118,724
4. Legal fees and expenses.....	.....	.....9,381	.....	.....9,381
5. Certifications and accreditation fees.....	.....	.....15,508	.....	.....15,508
6. Auditing, actuarial and other consulting services.....	.....(8,143)	.....5,215,494	.....30,485	.....5,237,836
7. Traveling expenses.....	.....76,958	.....1,367,986	.....6,956	.....1,451,900
8. Marketing and advertising.....	.....	.....1,477,857	.....	.....1,477,857
9. Postage, express and telephone.....	.....11,295	.....5,445,955	.....956	.....5,458,206
10. Printing and office supplies.....	.....40,677	.....1,896,025	.....869	.....1,937,571
11. Occupancy, depreciation and amortization.....	.....132,338	.....650,037	.....15,864	.....798,239
12. Equipment.....	.....	.....265,813	.....	.....265,813
13. Cost or depreciation of EDP equipment and software.....	.....537,562	.....1,554,233	.....8,196	.....2,099,991
14. Outsourced services including EDP, claims, and other services.....	.....438,871	.....8,484,579	.....19,279	.....8,942,729
15. Boards, bureaus and association fees.....	.....7,540	.....483,530	.....2,406	.....493,476
16. Insurance, except on real estate.....	.....	.....1,091,712	.....158	.....1,091,870
17. Collection and bank service charges.....	.....	.....260,999	.....	.....260,999
18. Group service and administration fees.....	.....	.....	.....	.....0
19. Reimbursements by uninsured accident and health plans.....	.....	.....	.....	.....0
20. Reimbursements from fiscal intermediaries.....	.....	.....	.....	.....0
21. Real estate expenses.....	.....	.....	.....	.....0
22. Real estate taxes.....	.....	.....	.....	.....0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....	.....	.....	.....	.....0
23.2 State premium taxes.....	.....	.....	.....	.....0
23.3 Regulatory authority licenses and fees.....	.....	.....390,868	.....	.....390,868
23.4 Payroll taxes.....	.....581,650	.....3,322,111	.....	.....3,903,761
23.5 Other (excluding federal income and real estate taxes).....	.....	.....	.....	.....0
24. Investment expenses not included elsewhere.....	.....	.....	.....	.....0
25. Aggregate write-ins for expenses.....	.....225	.....(9,854,730)	.....0	.....(9,854,505)
26. Total expenses incurred (Lines 1 to 25).....	.....12,618,879	.....118,951,315	.....286,950	(a).....131,857,144
27. Add expenses unpaid December 31, prior year.....	.....1,854,578	.....9,114,785	.....	.....10,969,363
28. Less expenses unpaid December 31, current year.....	.....1,843,008	.....16,320,997	.....	.....18,164,005
29. Amounts receivable relating to uninsured accident and health plans, prior year.....	.....	.....	.....	.....0
30. Amounts receivable relating to uninsured accident and health plans, current year.....	.....	.....	.....	.....0
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30).....	.....12,630,449	.....111,745,103	.....286,950	.....124,662,502

DETAILS OF WRITE-INS

2501. Administrative Recoveries.....	.....	.....(9,939,593)	.....	.....(9,939,593)
2502. Miscellaneous expenses.....	.....225	.....84,863	.....	.....85,088
2503. ....	.....	.....	.....	.....0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.....0	.....0	.....0	.....0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.....225	.....(9,854,730)	.....0	.....(9,854,505)

(a) Includes management fees of \$.....11,830,000 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds.....	(a).....100,065	.....82,213
1.1	Bonds exempt from U.S. tax.....	(a).....	.....
1.2	Other bonds (unaffiliated).....	(a).....417,717	.....373,858
1.3	Bonds of affiliates.....	(a).....	.....
2.1	Preferred stocks (unaffiliated).....	(b).....	.....
2.11	Preferred stocks of affiliates.....	(b).....	.....
2.2	Common stocks (unaffiliated).....	.....	.....
2.21	Common stocks of affiliates.....	.....	.....
3.	Mortgage loans.....	(c).....	.....
4.	Real estate.....	(d).....	.....
5.	Contract loans.....	.....	.....
6.	Cash/short-term investments.....	(e).....8,850,190	.....7,681,072
7.	Derivative instruments.....	(f).....	.....
8.	Other invested assets.....	.....	.....
9.	Aggregate write-ins for investment income.....	.....0	.....0
10.	Total gross investment income.....	.....9,367,972	.....8,137,143
11.	Investment expenses.....	(g).....286,950	
12.	Investment taxes, licenses and fees, excluding federal income taxes.....	(g).....	
13.	Interest expense.....	(h).....	
14.	Depreciation on real estate and other invested assets.....	(i).....0	
15.	Aggregate write-ins for deductions from investment income.....	.....0	
16.	Total deductions (Lines 11 through 15).....	.....286,950	
17.	Net investment income (Line 10 minus Line 16).....	.....7,850,193	

DETAILS OF WRITE-INS		
0901.	.....	.....
0902.	.....	.....
0903.	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page.....	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0
1501.	.....	.....
1502.	.....	.....
1503.	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page.....	.....0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....111,474 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	Total
1.	.....84,049	.....	.....	.....	.....84,049
1.1	.....	.....	.....	.....	.....0
1.2	.....(1,389,779)	.....	.....	.....	.....(1,389,779)
1.3	.....	.....	.....	.....	.....0
2.1	.....	.....	.....	.....	.....0
2.11	.....	.....	.....	.....	.....0
2.2	.....	.....	.....	.....	.....0
2.21	.....	.....	.....	.....	.....0
3.	.....	.....	.....	.....	.....0
4.	.....	.....	.....	.....	.....0
5.	.....	.....	.....	.....	.....0
6.	.....3,186	.....	.....	.....	.....3,186
7.	.....	.....	.....	.....	.....0
8.	.....	.....	.....	.....	.....0
9.	.....0	.....0	.....0	.....0	.....0
10.	.....(1,302,544)	.....0	.....0	.....0	.....(1,302,544)

DETAILS OF WRITE-INS					
0901.	.....	.....	.....	.....	.....0
0902.	.....	.....	.....	.....	.....0
0903.	.....	.....	.....	.....	.....0
0998.	Summary of remaining write-ins for Line 9 from overflow page..	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1	2	3
	End of Current Year	End of Prior Year	Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 10 to 16 and 19 to 20, Column 2.....	2,161,922	892,169	(1,269,753)
2. Other nonadmitted assets:			
2.1 Bills receivable.....			.0
2.2 Leasehold improvements.....			.0
2.3 Cash advanced to or in hands of officers and agents.....			.0
2.4 Loans on personal security, endorsed or not.....			.0
2.5 Commuted commissions.....			.0
3. Total (Lines 2.1 to 2.5).....	.0	.0	.0
4. Aggregate write-ins for other than invested assets.....	2,146,926	2,450,835	303,909
5. Total (Line 1 plus Lines 3 and 4).....	4,308,848	3,343,004	(965,844)

DETAILS OF WRITE-INS

0401. Prepaid expenses.....	40,323	2,433,733	2,393,410
0402. Vehicle.....	13,078	17,102	4,024
0403. Prepaid Pension.....	2,093,525		(2,093,525)
0498. Summary of remaining write-ins for Line 4 from overflow page.....	.0	.0	.0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....	2,146,926	2,450,835	303,909

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	.....572,422	.....533,988	.....528,959	.....525,766	.....518,946	.....6,280,413
2. Provider service organizations.....	.....	.....	.....	.....	.....	.....
3. Preferred provider organizations.....	.....	.....	.....	.....	.....	.....
4. Point of service.....	.....	.....	.....	.....	.....	.....
5. Indemnity only.....	.....	.....	.....	.....	.....	.....
6. Aggregate write-ins for other lines of business.....	.....0	.....0	.....0	.....0	.....0	.....0
7. Total.....	.....572,422	.....533,988	.....528,959	.....525,766	.....518,946	.....6,280,413

DETAILS OF WRITE-INS

0601. ....	.....	.....	.....	.....	.....	.....
0602. ....	.....	.....	.....	.....	.....	.....
0603. ....	.....	.....	.....	.....	.....	.....
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.....0	.....0	.....0	.....0	.....0	.....0

NOTES TO FINANCIAL STATEMENTS

BLUE CARE NETWORK OF MICHIGAN

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements of Blue Care Network of Michigan (“BCN”) are presented on the basis of accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services (“OFIS”).

The OFIS recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company.

The National Association of Insurance Commissioners (“NAIC”) went through an extensive process to codify all accounting practices and procedures to better standardize the financial reporting of insurers. However, the State of Michigan Insurance Commissioner has elected to postpone the effective date for implementation of codification to January 1, 2003. The adoption of codification should not have a significant impact on the statutory capital and surplus and working capital requirements of BCN.

Accounting practices and procedures as prescribed or permitted by the OFIS comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“GAAP”). The more significant statutory accounting practices (“SAP”), which differ from GAAP, are as follows:

- The effects of reinsurance are netted against the corresponding assets, liabilities, income, or expenses.
- Certain assets, such as premiums over 90 days past due, goodwill, excess of book value over market value for securities, and prepaid expenses are “nonadmitted” and are charged against capital and surplus.
- Computer software applications are treated as nonadmitted assets and charged against capital and surplus.
- Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in capital and surplus.
- Classification of items in the statement of cash flows differ from GAAP.
- Investments in bonds are recorded at amortized cost.

The Company, with the explicit permission of the Commissioner of Insurance of the State of Michigan, records its investment in certain grantor trusts as an increase to other long-term invested assets and an increase to capital and surplus. As of January 1, 2001, BCN changed its methodology for calculating its unrealized gains and losses on investments from market value to amortized cost.

A reconciliation of BCN's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below (in thousands):

NOTES TO FINANCIAL STATEMENTS

	2002	2001
Net Income, Michigan basis	\$ 10,509	\$ (5,741)
State Prescribed Practices:		
None	-	-
State Permitted Practices:		
None	-	-
Net Income, NAIC SAP basis	\$ 10,509	\$ (5,741)
Statutory Surplus, Michigan basis	86,686	74,474
State Prescribed Practices:		
Cumulative effect of changes in permitted practice		
Nonadmitted assets	(1,511)	(1,969)
State Permitted Practices:		
Grantor Trust investment	(47,813)	(45,145)
Statutory Surplus, NAIC SAP basis	\$ 37,362	\$ 27,360

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements, in conformity with Statutory Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Cash Equivalents - Cash Equivalents are carried at cost, which approximate fair market value, and are comprised of short-term investments with initial maturities at date of acquisition of 365 days or less.

Investments - Realized gains and losses and declines in value judged to be other-than-temporary are reflected in investment income. The specific identification method is utilized to determine realized gains and losses.

Securities Lending - BCN enters into secured lending transactions and recognizes the collateral received and the corresponding liability to return the collateral. Security lending collateral is excluded from the managed care organization risk-based capital calculation. The amounts related to these activities are recorded in other invested assets and other liabilities in the statements of assets, liabilities, capital and surplus.

Inventories - Consist of pharmaceuticals stated at cost, on a first-in, first-out basis and are included in other assets.

Furniture, Equipment, Electronic Data Processing Equipment and Software are stated at cost. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets.

Claims Unpaid - The liability for incurred but unpaid and unbilled medical and hospital claims is accrued in the period during which the services are provided, and includes actuarial estimates of services performed which have not been reported by providers to BCN. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. BCN has reinsured certain of its claims liabilities through an affiliated self-insured trust.

Revenue from subscribers is recognized ratably over the period of coverage. Premiums received in advance are recorded as a liability. Other revenues consist primarily of fee-for-service revenue, which are recognized as services are performed.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) Common Stocks at market.
- (4) Preferred Stocks – NOT APPLICABLE
- (5) Mortgage loans on real estate – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

- (6) Loan-backed securities are stated at amortized cost.
- (7) The Company, with the explicit permission of the Commissioner of Insurance of the State of Michigan, records its investment in certain grantor trusts as an increase to other long-term invested assets and an increase to capital and surplus.
- (8) Investments in joint ventures, partnerships and limited liability companies – NOT APPLICABLE
- (9) Derivatives – NOT APPLICABLE
- (10) The company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.
- (11) The reserve for loss contracts and the related expense are recognized when it is probable that expected future health care costs, under a group of existing contracts, will exceed future premiums and reinsurance recoveries anticipated over the remaining term of the contract. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated. Any adjustments resulting therefrom are reflected in current operations. Estimates in reserves are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. Loss contract accruals would be included in aggregate claims reserves in the statutory basis statement of admitted assets, liabilities, capital and surplus.

2. Accounting Changes and Corrections of Errors – NOT APPLICABLE -The State of Michigan did not adopt codification until January 1, 2003.

3. Business Combinations and Goodwill – NOT APPLICABLE

4. Discontinued Operations – NOT APPLICABLE

5. Investments

- A. Mortgage Loans – NOT APPLICABLE
- B. Debt Restructuring – NOT APPLICABLE
- C. Reverse Mortgages – NOT APPLICABLE
- D. Loan-Backed Securities

BCN used public market quotes for determining the market value of its loan-backed securities.

E. Repurchase Agreements – NOT APPLICABLE

6. Joint Ventures, Partnerships and Limited Liability Companies – NOT APPLICABLE

7. Investment Income

Due and accrued income was excluded from surplus on the following basis:

All investment income due and accrued with amounts that are over 90 days past due. However, there was no investment income excluded at December 31, 2002 and 2001.

8. Derivative Instruments – NOT APPLICABLE

9. Income Taxes - BCN has been recognized by the Internal Revenue Service as an organization described under Internal Revenue Code Section 501(c)(4) as an organization exempt from tax under Section 501(a).

10. Information Concerning Parent, Subsidiaries and Affiliates

BCN conducts business transactions with Blue Cross Blue Shield of Michigan (“BCBSM”) and affiliates on a routine basis. BCN is a wholly owned subsidiary of BCBSM.

Claims Processing - BCBSM processes certain hospital, hearing, and professional claims on behalf of BCN. BCN reimburses BCBSM at agreed upon rates for claims and pays an administrative fee for each claim processed. BCBSM charged BCN approximately \$3,677,000 and \$2,584,000 at

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001, respectively. --

Administrative Cost Allocation - BCBSM provides and bills BCN for miscellaneous administrative support, including computer operations support. BCBSM also purchased services on behalf of BCN such as telephone services and bills BCN accordingly. BCBSM charged BCN \$41,467,000 and \$45,537,000 for 2002 and 2001, respectively. BCN owed BCBSM \$3,820,000 and \$10,524,000 at December 31, 2002 and 2001, respectively.

Malpractice Trust - BCN has an agreement with an affiliated grantor trust to provide malpractice coverage. Expenses related to the malpractice trust amounted to \$0 in 2002 and approximately \$1,384,000 in 2001. BCN's equity investment in this trust was approximately 98% at December 31, 2002 and 2001. As of December 31, 2002 and 2001, the net equity of the trusts included in the statutory financial statements was approximately \$38,139,000 and \$37,657,000, respectively. BCN owed the malpractice trust \$0 and \$347,000 at December 31, 2002 and 2001, respectively, for premiums.

Stop-Loss Trust – BCN has an agreement with an affiliated grantor trust to provide reinsurance and reduced deductibles for property, general liability, automobile, and fidelity insurance coverages. The stop-loss trust covers risks incurred in excess of a retention amount. BCN is self-insured for inpatient hospital claims up to \$150,000 per member each calendar year (the “deductible”) and has an agreement with an affiliated trust, Blue Care Network Stop-Loss and Casualty Self-Insurance Trust to cover the claims incurred over the deductible.

At December 31, 2002 and 2001, BCN had receivables for known reinsurance recoveries on paid claims of approximately \$863,000 and \$2,289,000, respectively, from the stop-loss trust. In addition, at December 31, 2002 and 2001, BCN recorded as accounts receivable \$13,484,000 and \$14,703,000, respectively, of estimated recoverable amounts for potential claims exceeding the deductible based on actuarial estimates using historical recovery trends. BCN's equity investment in the stop-loss trust was approximately 99% at December 31, 2002 and 2001. As of December 31, 2002 and 2001, the net equity of the trusts included in the statutory financial statements was approximately \$9,674,000 and \$7,487,000, respectively. BCN owed the stop-loss trust \$640,000 and \$1,683,000 at December 31, 2002 and 2001, respectively, for premiums.

Reinsurance expenses related to the stop-loss trust amounted to approximately \$7,873,000 and \$6,866,000 in 2002 and 2001, respectively, and are recorded as medical and hospital expenses. Reinsurance recoveries recorded from the stop-loss trust totaled approximately \$5,210,000 and \$5,988,000 in 2002 and 2001, respectively, and are recorded as medical and hospital expenses.

Health Insurance - BCN purchases health insurance benefits for certain of its employees from BCBSM. Expenses were approximately \$6,537,000 and \$5,561,000 in 2002 and 2001, respectively. BCN owed premiums to BCBSM of \$2,756,000 and \$0 at December 31, 2002 and 2001, respectively. Additionally, BCBSM purchases health insurance for certain of its employees from BCN. The amounts billed by BCN for such insurance were approximately \$9,109,000 and \$8,131,000 in 2002 and 2001, respectively.

Capitated Health Care Program - BCN participated in the “Personal Plus” program, a capitated health care program sponsored by an affiliated company, Blue Care of Michigan, Inc. (“BCMI”). BCN receives monthly capitation from BCMI for subscribers in the BCN coverage area. BCN is responsible for collecting premiums and is at risk for all medical claims. Revenue derived through the Personal Plus program was approximately \$1,882,000 and \$2,396,000 in 2002 and 2001, respectively. BCMI owed BCN \$21,000 and \$41,000 at December 31, 2002 and 2001, respectively.

Point of Service/Blue Preferred Plus/Community Health Initiative (“CHI”) - BCN provides BCBSM with miscellaneous administrative support for certain products offered by BCBSM. BCBSM bears all risk associated with these products as well as the CHI project. Miscellaneous administrative expense incurred by BCN and subject to reimbursement from BCBSM related to these products totaled approximately \$7,300,000 and \$6,650,000 in 2002 and 2001, respectively. BCBSM owed BCN \$8,289,000 and \$19,244,000 at December 31, 2002 and 2001, respectively.

Blue Care of Michigan, Inc. - BCN provides BCMI with miscellaneous administrative support. Miscellaneous administrative expenses incurred by BCN and subject to reimbursement from BCMI totaled approximately \$62,000 and \$77,000 in 2002 and 2001, respectively.

Contractual Relationship - BCBSM entered into a series of agreements with Borgess Health Alliance, the non-profit parent company of Borgess Medical Center (“Borgess”). The agreements have various provisions, including the following:

- Health First, Inc. (“HF”) was formed with BCBSM and Borgess each as 50% shareholders. HF provided services to certain BCN members who were located primarily in the Kalamazoo

NOTES TO FINANCIAL STATEMENTS

metropolitan area. In June 2001, HF ceased operations.

BCN capitated HF for gross premium revenue related to the BCN members described above, less specified amounts for administrative and accounting services and reimbursement for reinsurance and other items. Amounts capitated to HF were \$14,201,000, net of claims and other health care benefits charged of \$14,119,000 and adjusted for reinsurance recoveries of and \$932,000 for 2001. BCN had a net receivable due from HF of approximately \$7,055,000 at December 31, 2001 that was paid in 2002.

Notes Receivable - In October 2001, the OFIS approved and BCMI paid BCN \$1,350,000 for the outstanding Surplus Certificate Notes plus interest due of \$71,000.

BCN does not guarantee or undertake for the benefit of an affiliate a material contingent exposure of BCN's or any affiliated insurer's assets or liabilities.

BCN does not have management or service contracts or cost sharing arrangements, other than cost allocation arrangements, other than such arrangements described in these footnotes.

BCN is a nonprofit stock corporation and wholly owned subsidiary of BCBSM.

BCN does not own shares of an upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

11. Debt – NOT APPLICABLE
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

BCBSM sponsors a defined benefit pension plan covering all employees of BCN, who meet certain requirements of age and length of service. Benefits paid to retirees are based on age at retirement, years of credited service and highest monthly average earnings over 60 consecutive months. BCN provides for and contributes to the plans as determined by BCBSM, and BCN has no legal obligation to the plans.

Under the BCBSM amended retirement account plan, each participant has an account balance to which interest credits and earnings credits are added. Interest will be credited quarterly based on the prior August one-year Treasury bill rate. Annual earnings credits of 6 percent to 10 percent are credited to participants' account balances on a monthly basis and monthly 2 percent annual transition credits are made through 2008. Employees can elect to receive the lump-sum value of their account balance or monthly payments at retirement or termination.

A summary of assets, obligations and assumptions of the Pension and Other Postretirement Benefit Plans as allocated to BCN from BCBSM are as follows at December 31, 2002 and 2001:

(In Thousands)	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
(1) Change in benefit obligation				
a. Benefits obligation at beginning of year	\$ 61,025	\$ 51,119	\$ 29,584	\$ 30,168
b. Service cost	3,763	3,418	3,840	2,771
c. Interest cost	4,311	3,919	2,303	1,934
d. Contribution by plan participants	-	-	-	-
e. Actuarial gain (loss)	6,139	4,781	2,478	(4,451)
f. Foreign currency exchange rate changes	-	-	-	-
g. Benefits paid	(2,148)	(2,212)	(768)	(838)
h. Plan amendments	-	-	-	-
i. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
j. Benefits obligation at end of year	<u>\$ 73,090</u>	<u>\$ 61,025</u>	<u>\$ 37,437</u>	<u>\$ 29,584</u>

NOTES TO FINANCIAL STATEMENTS

(In Thousands)	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
(2) Change in plan assets				
a. Fair value of plan assets at beginning of year	\$ 54,464	\$ 66,078	\$ -	\$ -
b. Actual return on plan assets	(6,252)	(9,724)	-	-
c. Foreign currency exchange rate changes	-	-	-	-
d. Employer contribution	12,391	222	-	-
e. Plan participants' contributions	-	-	-	-
f. Benefits paid	(2,056)	(2,112)	-	-
g. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
h. Fair value of plan assets at end of year	<u>\$ 58,547</u>	<u>\$ 54,464</u>	<u>\$ -</u>	<u>\$ -</u>

(In Thousands)	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
(3) Funded status				
a. Unamortized prior service cost	\$ (460)	\$ (677)	\$ 1,042	\$ 1,624
b. Unrecognized net gain or (loss)	(16,029)	2,521	(301)	2,133
c. Remaining net obligation or net asset at initial date of application	(221)	(204)	-	-
d. (Prepaid non-admitted assets) or accrued liabilities	(2,195)	8,300	38,179	33,340
e. Intangible asset				

(In Thousands)	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
(4) Benefit obligation for non vested employees	\$ 3,209	\$ 2,893	\$ 19,303	\$ 14,173

(In Thousands)	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
(5) Components of net periodic benefit cost				
a. Service cost	\$ 3,886	\$ 3,530	\$ 3,840	\$ 2,771
b. Interest cost	4,310	3,919	2,302	1,934
c. Expected return on plan assets	(5,836)	(5,566)	-	-
d. Amortization of unrecognized transition obligation or transition asset	(17)	(21)	-	-
e. Amount of recognized gains and losses	-	-	-	-
f. Amount of prior service cost recognized	94	93	(581)	(638)
g. Amount of gain or loss recognized due to a settlement or curtailment	(449)	(761)	45	(255)
h. Total net periodic benefit cost	<u>\$ 1,988</u>	<u>\$ 1,194</u>	<u>\$ 5,606</u>	<u>\$ 3,812</u>

(6) A minimum pension liability adjustment – NOT APPLICABLE

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
(7) Assumptions as of Dec. 31				
a. Discount rate	6.500%	7.250%	6.500%	7.250%
b. Rate of compensation increase	2.975-5.525%	2.975-5.525%	2.975-5.525%	2.975-5.525%
c. Expected long-term rate of return on plan assets	9.500%	9.500%	9.500%	9.500%

(8) BCN provides certain health care and selected other benefits to all employees and their dependents. Represented and nonrepresented employees who have ten years of service after age 45 and retire from active employment, or who become disabled and meet certain benefit and service requirements are eligible. This benefit is subject to revision at the discretion of the Board of Directors for nonrepresented employees and for represented employees, subject to collective bargaining agreements. These plans are noncontributory plans.

BCN's postretirement health care plan is unfunded. For the year ended December 31, 2002, the health care trend rate on covered benefits is assumed to be 10.25 percent, ratably downgrading to 5.5 percent by 2008 and all years thereafter.

(9) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

NOTES TO FINANCIAL STATEMENTS

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost components	\$ 1,312	\$ 937
Effect on postretirement benefit obligaton	\$ 6,543	\$ 5,317

B. Defined Contribution Plan – NOT APPLICABLE – see C below

C. Multiemployer Plans

BCN participates in a qualified, noncontributory defined contribution pension plan sponsored by BCBSM. The Plan is qualified under Section 401(k) of the Internal Revenue Code. Participating employees may elect to contribute to the Plan and BCN matches a portion of the employees' contributions. BCN's contributions were \$1,590,000 and \$1,415,000 in 2002 and 2001, respectively.

D. Consolidated/Holding Company Plans – NOT APPLICABLE

E. Postemployment Benefits and Compensated Absences – NOT APPLICABLE

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations .

- (1) BCN has 500 shares authorized, 500 shares issued and 500 shares outstanding. All shares are Class A shares.
- (2) BCN has no preferred stock outstanding.
- (3) The Company's Articles of Incorporation state that no dividends shall be directly paid on any shares nor shall the shareholders be entitled to any portion of the earnings.
- (4) The Company's Articles of Incorporation state that no dividends shall be directly paid on any shares nor shall the shareholders be entitled to any portion of the earnings.
- (5) There were no restrictions placed on the BCN's surplus, including for whom the surplus is being held.
- (6) The total amount of advances to surplus not repaid – NOT APPLICABLE
- (7) The amount of stock held by BCN for special purposes – NOT APPLICABLE
- (8) Special surplus funds changes – NOT APPLICABLE
- (9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a. unrealized gains and losses: \$ None

b. nonadmitted asset values: \$ (966,000)

c. provision for reinsurance: \$ None
- (10) Surplus debentures of similar obligations – NOT APPLICABLE
- (11) Impact of any restatement due to quasi-reorganization – NOT APPLICABLE
- (12) Effective dates of all quasi-reorganizations in the prior 10 years is/are – NOT APPLICABLE

14. Contingencies

- A. Contingent Commitments – NOT APPLICABLE
- B. Assessments – NOT APPLICABLE
- C. Gain Contingencies – NOT APPLICABLE
- D. All Other Contingencies

BCN and its affiliated physicians are parties to lawsuits incidental to the operations of the HMO. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15. Leases

NOTES TO FINANCIAL STATEMENTS

A. Lessee Operating Lease

(1) Lessees leasing arrangements

- a. BCN has entered into certain cancelable land and building leases with BCBSM. Rent expense paid to BCBSM in 2002 and 2001 was approximately \$3,382,000 and \$2,536,000, respectively.
- b. BCN also leases office buildings under operating leases with different unrelated parties. Rent expense under these leases was \$2,485,000 and \$3,758,000 in 2002 and 2001, respectively.

(2) Noncancelable leases

- a. At December 31, 2002, the minimum aggregate rental commitments are as follows:

(Dollars in thousands)

Year Ending December 31	Operating Leases
2003	\$ 3,996
2004	4,152
2005	45
2006	45
2007	45
Total	<u>\$ 8,283</u>

- b. Noncancelable subleases – NOT APPLICABLE

(3) Sales-leaseback transactions – NOT APPLICABLE

B. Lessor Leases – NOT APPLICABLE

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – NOT APPLICABLE

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – NOT APPLICABLE

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans – NOT APPLICABLE

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NOT APPLICABLE

20. Other Items

A. Extraordinary Items – NOT APPLICABLE

B. Troubled Debt Restructuring – NOT APPLICABLE

C. Other Disclosures

As a condition of licensure with the State of Michigan, BCN is required to maintain a minimum deposit of \$1,000,000 in a segregated account. BCN maintains a \$1,000,000 deposit for such purposes. These funds can only be used by BCN at the direction of the Insurance Commissioner of the State of Michigan. The funds are invested in a United States Treasury Money Market Fund. Interest on these funds accrues to BCN.

BCN is required by the OFIS to comply with certain regulatory risk-based capital (“RBC”) requirements. At December 31, 2002 BCN was in compliance with the RBC requirement. At December 31, 2001, BCN’s RBC was below the “company action level,” as defined by the OFIS.

D. Other Disclosures, Uncollectible Assets on Uninsured plans – NOT APPLICABLE

E. Reinsurance Accounted for as a Deposit – NOT APPLICABLE

F. Multiple Peril Crop Insurance – NOT APPLICABLE

G. Mezzanine Real Estate Loans – NOT APPLICABLE

H. Health Care Receivables – NOT APPLICABLE - the State of Michigan did not adopt codification until

NOTES TO FINANCIAL STATEMENTS

- January 1, 2003.
- I. September 11 Events – NOT APPLICABLE
- J. Real Estate – NOT APPLICABLE
- K. Participating Policies – NOT APPLICABLE
- L. Premium Deficiency Reserves – BCN considers anticipated investment income when calculating its premium deficiency reserves, and as of December 31, 2002 and 2001 no reserve was required on any line of business.
- M. Intercompany Pooling Arrangements – NOT APPLICABLE
- N. Business Combinations and Goodwill – Assumptions Reinsurance – NOT APPLICABLE
- O. Noncash Transactions – NOT APPLICABLE
21. Events Subsequent – NOT APPLICABLE
22. Reinsurance – NOT APPLICABLE
23. Retrospectively Rated Contracts
- A. BCN estimates accrued retrospective premium adjustments for its group health insurance business through a mathematical approach using an algorithm of the company’s underwriting rules and experience rating practices.
- B. The amount of net premiums written by BCN that are subject to retrospective rating features was \$47 million and \$46 million at December 31, 2002 and 2001 respectively, that represented 3.8% and 3.8% of the total net premiums written for commercial health for 2002 and 2001, respectively. No other net premiums written by BCN are subject to retrospective rating features.
24. Anticipated Salvage and Subrogation – NOT APPLICABLE
25. Change in Incurred Claims and Claim Adjustment Expenses - Activity in the liabilities for claims and claims adjustment expenses payable is summarized as follows (in thousands):

	2002	2001
BALANCE AT JANUARY 1	\$ 225,823	\$ 217,969
Incurred related to:		
Current year	1,146,075	1,235,199
Prior year	(1,870)	4,399
Total incurred	1,144,205	1,239,598
Paid related to:		
Current year	985,528	1,051,272
Prior year	190,240	180,472
Total paid	1,175,768	1,231,744
BALANCE AT DECEMBER 31	\$ 194,260	\$ 225,823

Changes in actuarial estimates of claims unpaid reported as “incurred related to prior year” in the schedule above reflect revisions in estimates of medical cost trends and changes in claims processing patterns. In 2001, BCN recorded ASC claims of approximately \$19 million as an increase to claims unpaid. Pursuant to the instructions issued by the National Association of Insurance Commissioners (NAIC) for the preparation of the Annual Statement for the year ended December 31, 2001, amounts incurred and amounts paid include all medical and hospital expenses, capitation expenses, and claims paid.

Organization and Operation

- a. Blue Care Network of Michigan (“BCN”) operates as a combination staff and network model health maintenance organization (“HMO”). BCN provides health care services to members at its own outpatient health facilities and through contracts it has entered into with various physician groups, hospitals, and other health care providers.

BCN primarily conducts business within the State of Michigan, and a significant portion of BCN’s customer base is concentrated in companies that are part of the automobile manufacturing industry.

NOTES TO FINANCIAL STATEMENTS

Receivables from these customers approximate \$351,000 and \$306,000 at December 31, 2002 and 2001, respectively. In addition, BCN holds investments in these customers' commercial paper, medium term notes, and other asset backed securities totaling \$29,950,000 and \$23,968,000 at December 31, 2002 and 2001, respectively.

BCN's books and records are primarily maintained at its corporate offices located in Southfield, Michigan.

- b. BCBSM, BCN and BCMI have some common officers and members on their respective governing boards.
- c. Under various risk-sharing agreements with certain provider groups, monthly capitation amounts for enrolled members are allocated to funds using predetermined rates based upon membership category. Balances in these funds at the time of settlement, after consideration of unpaid and unreported claims, are shared with the providers according to contract terms. In fiscal 2002 and 2001, management recorded an additional reserve of approximately \$1,811,000 and \$5,685,000 for potentially uncollectable receivables. Net settlement expense was \$19,225,000 and \$27,397,000 for 2002 and 2001, respectively. In 2002, BCN recognized approximately \$9,364,000 as an favorable change in estimate for provider settlements and approximately \$4,321,000 as a favorable change in estimate for physician incentives.

26. Minimum Capital and Surplus (in thousands):

	2002
Net premium revenue	\$ 1,291,670
	4%
Minimum Capital and Surplus Requirement	<u>\$ 51,667</u>
Current Statutory Capital and Surplus	<u>\$ 86,686</u>

Under the laws of the State of Michigan, the Plan is required to have a minimum Capital and Surplus of approximately \$51,667,000.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....		0.0		0.0
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....	1,027,370	0.3	1,027,370	0.3
1.22 Issued by U.S. government sponsored agencies.....		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations...		0.0		0.0
1.43 Revenue and assessment obligations.....		0.0		0.0
1.44 Industrial development and similar obligations.....	2,108,827	0.5	2,108,827	0.5
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA.....		0.0		0.0
1.512 Issued by FNMA and FHLMC.....		0.0		0.0
1.513 Privately issued.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC.....		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....		0.0		0.0
1.523 All other privately issued.....		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....		0.0		0.0
2.2 Unaffiliated foreign securities.....		0.0		0.0
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....	953,031	0.2	770,974	0.2
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated.....		0.0		0.0
3.42 Unaffiliated.....		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....	903,727	0.2	903,727	0.2
5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....		0.0		0.0
6. Policy loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash and short-term investments.....	331,121,667	82.7	331,121,667	82.7
9. Other invested assets.....	64,214,852	16.0	64,214,852	16.0
10. Total invested assets.....	400,329,474	100.0	400,147,418	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []

1.3 State regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No []

2.2 If yes, date of change: 07/16/2002
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 09/30/2000

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 09/30/2000

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/11/2001

3.4 By what department or departments? Office of Financial & Insurance Services

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [X] No []

4.22 renewals? Yes [X] No []

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes, 7.21 State the percentage of foreign control.0.000 %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES (continued)

8.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche
600 Renniassance Center Detroit, Mi 48243-1895
9.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
David R. Nelson, FSA MAAA Chief Actuarial Officer
25925 Telegraph Mail code B839 Southfield, Mi 48086
10.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
N/A
- 10.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes []

No []
- 10.3

Have there been any changes made to any of the trust indentures during the year?

Yes []

No []
- 10.4

If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?

Yes []

No []

N/A []

BOARD OF DIRECTORS

11.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes [X]

No []
12.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes [X]

No []
13.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes [X]

No []

FINANCIAL

- 14.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11

To directors or other officers

\$.....0

14.12

To stockholders not officers

\$.....0

14.13

Trustees, supreme or grand (Fraternal only)

\$.....0
- 14.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21

To directors or other officers

\$.....0

14.22

To stockholders not officers

\$.....0

14.23

Trustees, supreme or grand (Fraternal only)

\$.....0
- 15.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes []

No [X]
- 15.2

If yes, state the amount thereof at December 31 of the current year:

15.21

Rented from others

\$.....0

15.22

Borrowed from others

\$.....0

15.23

Leased from others

\$.....0

15.24

Other

\$.....0

Disclose in the Notes to Financial the nature of each obligation.
- 16.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes []

No [X]
- 16.2

If answer is yes:

16.21

Amount paid as losses or risk adjustment

\$.....0

16.22

Amount paid as expenses

\$.....0

16.23

Other amounts paid

\$.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
Preferred.....	.....	.....	.....	.....	...Yes [].....No [].....	..Yes [].....No []...
Common.....	.....500.000	.....500.000	.....100.00	.....XXX.....	.....XXX.....XXX.....	.....XXX.....XXX.....

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 2-Special Deposits? Yes [] No [X]

18.2 If no, give full and complete information relating thereto.
All securities are held under safe-keeping agreements with State Street Bank and Fidelity

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21	Loaned to others	\$.....0
19.22	Subject to repurchase agreements	\$.....0
19.23	Subject to reverse repurchase agreements	\$.....0
19.24	Subject to dollar repurchase agreements	\$.....0
19.25	Subject to reverse dollar repurchase agreements	\$.....0
19.26	Pledged as collateral	\$.....0
19.27	Placed under option agreements	\$.....0
19.28	Letter stock or securities restricted as to sale	\$.....0
19.29	Other	\$.....0

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31	
19.32	
19.33	
19.34	
19.35	
19.36	
19.37	
19.38	
19.39	

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A []
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
State Street Bank	801 Pennsylvania Kansas City, MO 64105

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [] No [X]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....223,693

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
American Association of Health Plans	160,000

24.1 Amount of payments for legal expenses, if any? \$.....9,381

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Jones, Day, Reavis and Pogue	6,804

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X]

No []

1.2

If yes, indicate premium earned on U.S. business only

\$.....63,326,385

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....0

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$.....65,309,503

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$.....3,775,581

1.62

Total incurred claims

\$.....2,977,178

1.63

Number of covered lives

.....4,123

All years prior to most current three years:

1.64

Total premium earned

\$.....0

1.65

Total incurred claims

\$.....0

1.66

Number of covered lives

.....0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$.....59,550,804

1.72

Total incurred claims

\$.....62,332,325

1.73

Number of covered lives

.....16,708

All years prior to most current three years:

1.74

Total premium earned

\$.....0

1.75

Total incurred claims

\$.....0

1.76

Number of covered lives

.....0

2.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes []

No [X]

2.2

If yes, give particulars:

3.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes [X]

No []

3.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes []

No []

4.1

Does the reporting entity have stop-loss reinsurance?

Yes []

No [X]

4.2

If no, explain:

BCN participates in the Blue Care Network Stoploss and Casualty Self-Insurance Trust. Unlimited coverage with a \$150,000 deductible. Expiration date of 12/31/02.

4.3

Maximum retained risk (see instructions):

4.31

Comprehensive medical

\$.....0

4.32

Medical only

\$.....0

4.33

Medicare supplement

\$.....0

4.34

Dental

\$.....0

4.35

Other limited benefit plan

\$.....0

4.36

Other

\$.....0

5.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

State-Mandated Cash Reserve and Stoploss Self-Insurance Coverage Maintained.

6.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [X]

No []

6.2

If no, give details:

7.

Provide the following information regarding participating providers:

7.1

Number of providers at start of reporting year

.....10,008

7.2

Number of providers at end of reporting year

.....9,696

8.1

Does the reporting entity have business subject to premium rate guarantees?

Yes []

No [X]

8.2

If yes, direct premium earned:

8.21

Business with the rate guarantees between 15-36 months

\$.....0

8.22

Business with rate guarantees over 36 months

\$.....0

9.1

Does the reporting entity have Bonus/withhold arrangements in its provider contracts?

Yes [X]

No []

9.2

If yes:

9.21

Maximum amount payable bonuses

\$.....11,712,690

9.22

Amount actually paid for year bonuses

\$.....5,150,320

9.23

Maximum amount payable withholds

\$.....13,941,379

9.24

Amount actually paid for year withholds

\$.....7,098,188

10.

List service areas in which reporting entity is licensed to operate:

1

Name of Service Area

Alcona County, MI.

Allegan County, MI.

Alpena County, MI.

Antrim County, MI.

Arenac County, MI.

Barry County, MI.

Bay County, MI.

Benzie County, MI.

Berrien County, MI.

Branch County, MI.

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

Calhoun County, MI.
Cass County, MI.
Charlevoix County, MI.
Cheboygan County, MI.
Clare County, MI.
Clinton County, MI.
Crawford County, MI.
Eaton County, MI.
Emmet County, MI.
Genessee County, MI.
Gladwin County, MI.
Grand Traverse County, MI.
Gratiot County, MI.
Hillsdale County, MI.
Huron County, MI.
Ingham County, MI.
Ionia County, MI.
Iosco County, MI.
Isabella County, MI.
Jackson County, MI.
Kalamazoo County, MI.
Kalkaska County, MI.
Kent County, MI.
Lapeer County, MI.
Leelanau County, MI.
Livingston County, MI.
Mackinac County, MI.
Macomb County, MI.
Manistee County, MI.
Mecosta County, MI.
Mewaygo County, MI.
Midland County, MI.
Monroe County, MI.
Montcalm County, MI.
Montmorency County, MI.
Muskegon County, MI.
Oakland County, MI.
Oceana County, MI.
Ogemaw County, MI.
Osceola County, MI.
Oscoda County, MI.
Otsego County, MI.
Ottawa County, MI.
Presque County, MI.
Roscommon County, MI.
Saginaw County, MI.
Saint Joseph County, MI.
Shiawassee County, MI.
St. Clair County, MI.
Tuscola County, MI.
Van Buren County, MI.
Washtenaw County, MI.
Wayne County, MI.
Wexford County, MI.

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23).....	428,285,894	450,985,865	461,901,347	428,898,029	427,525,598
2. Total liabilities (Page 3, Line 18).....	341,599,712	376,511,592	390,297,977	336,610,480	329,373,471
3. Statutory surplus.....	86,686,182	74,424,273	71,603,370	92,287,548	98,152,127
4. Total capital and surplus (Page 3, Line 26).....	86,686,182	74,474,273	71,603,370	92,287,548	98,152,127
Income Statement Items (Page 4)					
5. Total revenues (Line 7).....	1,285,757,719	1,356,921,878	1,211,291,169	1,110,682,200	985,233,173
6. Total medical and hospital expenses (Line 17).....	1,150,225,740	1,252,771,027	1,145,214,086	1,034,006,230	946,512,078
7. Total administrative expenses (Line 19).....	118,951,315	111,543,513	112,578,128	129,480,051	123,052,986
8. Net underwriting gain (loss) (Line 22).....	3,961,786	(23,000,449)	(44,840,145)	(52,804,080)	(84,331,891)
9. Net investment gain (loss) (Line 25).....	6,547,649	17,259,617	17,826,586	19,599,145	25,768,634
10. Total other income (Lines 26 plus 27).....					
11. Net income or (loss) (Line 30).....	10,509,435	(5,740,832)	(27,013,559)	(33,204,935)	(58,563,257)
Risk-Based Capital Analysis					
12. Total adjusted capital.....	86,686,182	74,474,273	71,603,370	92,287,548	98,152,127
13. Authorized control level risk-based capital.....	36,251,968	39,642,887	36,698,233	31,032,336	24,904,698
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7).....	518,946	572,422	610,657	610,305	594,456
15. Total member months (Column 6, Line 7).....	6,280,413	7,020,584	7,218,459	7,215,410	7,122,774
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5)					
16. Premiums earned (Lines 2 plus 3).....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17).....	89.1	92.2	94.7	94.2	97.2
18. Total underwriting deductions (Line 21).....	99.3	101.6	103.9	105.8	1.1
19. Total underwriting gain (loss) (Line 22).....	0.3	(1.7)	(3.7)	(4.8)	(8.6)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5).....	250,776,910	243,154,180	177,710,038	149,297,854	138,629,565
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	256,989,508	232,764,022	191,281,539	170,937,227	150,141,384

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....					
26. Affiliated mortgage loans on real estate.....					
27. All other affiliated.....					
28. Total of above Lines 22 to 27.....	0	0	0	0	0

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States.....				
	2. Canada.....				
	3. Other Countries.....				
	4. Totals.....	0	0	0	0
States, Territories and Possessions (Direct and guaranteed)	5. United States.....				
	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....				
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....	1,027,370	1,027,370	1,015,337	
	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	1,027,370	1,027,370	1,015,337	0
Public Utilities (unaffiliated)	17. United States.....				
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....	2,108,827	2,108,827	2,112,320	2,000,000
	22. Canada.....				
	23. Other Countries.....				
	24. Totals.....	2,108,827	2,108,827	2,112,320	2,000,000
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. Total Bonds.....	3,136,197	3,136,197	3,127,657	2,000,000
PREFERRED STOCKS Public Utilities (Unaffiliated)	27. United States.....				
	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....				
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	0	0	0	
Industrial and Miscellaneous (Unaffiliated)	35. United States.....				
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. Total Preferred Stocks.....	0	0	0	
COMMON STOCKS Public Utilities (Unaffiliated)	41. United States.....				
	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....				
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	0	0	0	
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	770,974	770,974	953,031	
	50. Canada.....				
	51. Other Countries.....				
	52. Totals.....	770,974	770,974	953,031	
Parent, Subsidiaries and Affiliates	53. Totals.....				
	54. Total Common Stocks.....	770,974	770,974	953,031	
	55. Total Stocks.....	770,974	770,974	953,031	
	56. Total Bonds and Stocks...	3,907,171	3,907,171	4,080,687	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year.....	13,963,320	6. Foreign exchange adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	15,325,208	6.1 Column 17, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	
3.1 Column 16, Part 1.....	8,541	6.3 Column 11, Part 2, Section 2.....	
3.2 Column 12, Part 2, Section 1.....		6.4 Column 11, Part 4.....	0
3.3 Column 10, Part 2, Section 2.....	(107,079)	7. Book/adjusted carrying value at end of current period.....	3,907,171
3.4 Column 10, Part 4.....	(73,574)	8. Total valuation allowance.....	
4. Total gain (loss), Column 14, Part 4.....	(1,305,730)	9. Subtotal (Lines 7 plus 8).....	3,907,171
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4...	23,903,515	10. Total nonadmitted amounts.....	
		11. Statement value of bonds and stocks, current period.....	3,907,171

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only			6 Federal Employees Health Benefits Program Premiums
				3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	
1.	Alabama.....AL	NO.....	Invalid.....				
2.	Alaska.....AK	NO.....	Invalid.....				
3.	Arizona.....AZ	NO.....	Invalid.....				
4.	Arkansas.....AR	NO.....	Invalid.....				
5.	California.....CA	NO.....	Invalid.....				
6.	Colorado.....CO	NO.....	Invalid.....				
7.	Connecticut.....CT	NO.....	Invalid.....				
8.	Delaware.....DE	NO.....	Invalid.....				
9.	District of Columbia.....DC	NO.....	Invalid.....				
10.	Florida.....FL	NO.....	Invalid.....				
11.	Georgia.....GA	NO.....	Invalid.....				
12.	Hawaii.....HI	NO.....	Invalid.....				
13.	Idaho.....ID	NO.....	Invalid.....				
14.	Illinois.....IL	NO.....	Invalid.....				
15.	Indiana.....IN	NO.....	Invalid.....				
16.	Iowa.....IA	NO.....	Invalid.....				
17.	Kansas.....KS	NO.....	Invalid.....				
18.	Kentucky.....KY	NO.....	Invalid.....				
19.	Louisiana.....LA	NO.....	Invalid.....				
20.	Maine.....ME	NO.....	Invalid.....				
21.	Maryland.....MD	NO.....	Invalid.....				
22.	Massachusetts.....MA	NO.....	Invalid.....				
23.	Michigan.....MI	NO.....	YES.....	1,245,188,234			46,481,677
24.	Minnesota.....MN	NO.....	Invalid.....				
25.	Mississippi.....MS	NO.....	Invalid.....				
26.	Missouri.....MO	NO.....	Invalid.....				
27.	Montana.....MT	NO.....	Invalid.....				
28.	Nebraska.....NE	NO.....	Invalid.....				
29.	Nevada.....NV	NO.....	Invalid.....				
30.	New Hampshire.....NH	NO.....	Invalid.....				
31.	New Jersey.....NJ	NO.....	Invalid.....				
32.	New Mexico.....NM	NO.....	Invalid.....				
33.	New York.....NY	NO.....	Invalid.....				
34.	North Carolina.....NC	NO.....	Invalid.....				
35.	North Dakota.....ND	NO.....	Invalid.....				
36.	Ohio.....OH	NO.....	Invalid.....				
37.	Oklahoma.....OK	NO.....	Invalid.....				
38.	Oregon.....OR	NO.....	Invalid.....				
39.	Pennsylvania.....PA	NO.....	Invalid.....				
40.	Rhode Island.....RI	NO.....	Invalid.....				
41.	South Carolina.....SC	NO.....	Invalid.....				
42.	South Dakota.....SD	NO.....	Invalid.....				
43.	Tennessee.....TN	NO.....	Invalid.....				
44.	Texas.....TX	NO.....	Invalid.....				
45.	Utah.....UT	NO.....	Invalid.....				
46.	Vermont.....VT	NO.....	Invalid.....				
47.	Virginia.....VA	NO.....	Invalid.....				
48.	Washington.....WA	NO.....	Invalid.....				
49.	West Virginia.....WV	NO.....	Invalid.....				
50.	Wisconsin.....WI	NO.....	Invalid.....				
51.	Wyoming.....WY	NO.....	Invalid.....				
52.	American Samoa.....AS	NO.....	Invalid.....				
53.	Guam.....GU	NO.....	Invalid.....				
54.	Puerto Rico.....PR	NO.....	Invalid.....				
55.	U.S. Virgin Islands.....VI	NO.....	Invalid.....				
56.	Canada.....CN	NO.....					
57.	Aggregate Other alien.....OT	XXX.....	XXX.....	0	0	0	0
58.	Total (Direct Business).....	XXX.....	(a).....1	1,245,188,234	0	0	46,481,677

DETAILS OF WRITE-INS				
5701.	.....	.....	.....	.....
5702.	.....	.....	.....	.....
5703.	.....	.....	.....	.....
5798.	Summary of remaining write-ins for line 57 from overflow page.....	0	0	0
5799.	Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....	0	0	0

Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

SUBSIDIARY & AFFILIATE ORGANIZATION CHART

